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UNCLAS SECTION 01 OF 02 ANKARA 003845

SIPDIS

EB/CBA FOR FRANK MERMOUD  
TREASURY FOR CPLANTIER AND MMILLS  
NSC FOR BRYZA AND MCKIBBEN  
USDOC/ITA/MAC FOR DAVID DEFALCO

E.O. 12958: N/A

TAGS: [EINV](#) [BEXP](#) [EFIN](#) [TU](#)

SUBJECT: SAUDI-ITALIAN CONSORTIUM WINS TURK TELECOM BID

REF: A. A. 04 ANKARA 6673

- [1](#)B. B. 05 ANKARA 446
- [1](#)C. C. 05 ANKARA 2159
- [1](#)D. D. 05 ANKARA 2812

[1](#)1. (SBU) Summary: The Privatization Authority took a major step in the privatization of 55 percent of Turk Telekom July 1, opening the four consortia's bids and short-listing the two top bidders: Oger Telecoms-Telecom Italia and a consortium led by Etisalat of UAE. In a televised bargaining session, the Oger consortium topped Etisalat with a \$6.55 billion bid. The privatization now goes to the competition and regulatory boards and to the Council of Ministers for approval. If the PA is successful in navigating these shoals without falling prey to legal challenges it will be a watershed event in Turkey's economic reform program. End Summary.

[1](#)2. (U) On July 1, The Turkish Privatization Authority opened the bids of the four groups that had submitted bids June 24 to buy a 55 percent stake in the state landline company Turk Telekom (TT). Privatization Administration (PA) President Metin Kilci announced that Oger Telecoms JIG (Oger Telecoms and Telecom Italia) and Etisalat JIG (Cetel-Calik Energy Telecommunication, Dubai Islamic Bank, Abu Dhabi National Insurance Company and Etisalat-Emirates Telecommunications Corporation) submitted the two highest bids and were therefore shortlisted. We understand Oger-Telecom Italia's sealed bid was \$1.4 billion higher than Etisalat's. The other two bidders, who were eliminated July 1, were Koc Holding JIG (Koc Holding A.S. and the Carlyle Group L.L.C.) and TurkTel JIG (Turktel Information Services, Gen-PA Telecommunication and Communications Services-Tekofaks Office and Communication Equipment Trade-Kurtson Mining and Industry Operations). Carlyle was the only U.S. company involved in the bidding.

[1](#)3. (U) News reports, citing leaks from the Privatization Administration, indicated that a lower-limit\*or reserve price\*had been set at a minimum of USD 9 billion (valuation for 100 percent of the shares) in order to continue with the tender. Kilci said in a news conference that "within the framework of the tender commission's ruling, the decision was made to continue negotiations with the investors who made the two highest bids." Oger's final \$6.55 billion bid for 55 percent of the shares more than meets the minimum threshold.

[1](#)4. (SBU) This will be the third attempt by the GOT to sell shares of TT (see Ref. A). Repeated delays, legal obstacles, political sensitivities, internal wrangling over tender specifications, and outright cancellations of sales have blocked the previous attempts and slowed the current effort to sell this flagship state enterprise, that is widely considered a "cash cow" for the Turkish state. (See Ref. A-D). A demonstration took place today at the Privatization Administration building to protest the privatization of TT. Turkish labor unions have intensified their opposition to privatization in recent weeks with demonstrations and billboards showing evil foreign investors (literally with vultures) ready to acquire Turk Telekom. The unions mounted a street demonstration in front of the PA headquarters during the auction. However, Turk-Is labor union's international relations advisor Hakan Sukun told Laboff July 1 that, although the union opposed the privatization of Turk Telekom, it doubted it would be able to stop it.

[1](#)5. (SBU) Next steps: As PA President Metin Kilci announced at the close of the bidding session, the deal still requires approval by the Telecom Regulatory Authority, the Competition Authority, and the Council of Ministers.

[1](#)6. (SBU) Comment. The sale of TT would be a watershed event for the GOT's faltering privatization program. The GOT has been able to sell off most of its small and medium-sized state economic enterprises (SEEs), but has failed in past attempts to sell off larger SEEs like TT. The sale of TT would build credibility in the GOT's privatization program and would represent both a significant inflow of Foreign

Direct Investment and cash for Turkish Treasury to use to reduce public sector indebtedness. Perhaps most importantly, it would open the door to more efficient, world-standard telecommunications services in Turkey. End Comment.  
MCELDOWNEY